

IN THE
Supreme Court of The United States
OCTOBER TERM, A. D. 1943.

THE MERCOID CORPORATION,

Petitioner,

vs.

**MINNEAPOLIS-HONEYWELL REGULATOR
COMPANY.**

Respondent.

} Nos. 58, 59.

PETITION FOR REHEARING.

BRIEF ON PETITION FOR REHEARING.

MOTION TO STAY MANDATE.

W. P. BAIR,
WILL FREEMAN,
GEORGE H. FISHER,
Counsel for Respondent.

BAIR & FREEMAN,
135 South La Salle Street,
Chicago 3, Illinois.

INDEX.

	PAGE
Petition for Rehearing	1
Certificate of Counsel	2
Brief in Support of Petition for Rehearing.....	3
Motion for Order to Stay Mandate	9
Acceptance of Service	9

AUTHORITIES.

United States v. Univis Lens Company, 316 U. S.	
241	5, 6, 7

IN THE

Supreme Court of The United States

OCTOBER TERM, A. D. 1943.

THE MERCOID CORPORATION,
Petitioner,

vs.

**MINNEAPOLIS HONEYWELL REGULATOR
COMPANY,**

Respondent.

Nos. 58, 59.

PETITION FOR REHEARING.

Re Opinion Rendered January 3, 1944.

To the Honorable, the Chief Justice of the United States,
and the Associate Justices of the Supreme Court of the
United States:

COMES NOW, Respondent, Minneapolis-Honeywell Regu-
lator Company, and respectfully petitions for a rehearing
on the grounds:

That the decision of January 3, 1944,

(1) discriminates between owners of patents in that the owner who does nothing with the invention, is afforded relief not afforded one who gives the invention to the world, but sells only part of the patented combination;

(2) puts certain conduct of an accused infringer within the patent right, and puts the same conduct of a patent owner outside the patent right.

These inequitable rules stem from failure of this Court to apply a principle equally fair to the public and the patent

system, a principle that should have been applied, and which would make the propriety of the conduct of the patent owner depend on whether it was primarily and in effect directed toward and resulted in reasonable exploitation of the patent right.

MINNEAPOLIS-HONEYWELL, REGULATOR COMPANY.

By BAIR & FREEMAN,
135 South LaSalle Street,
Chicago 3, Illinois,
Its Attorneys.

W. P. BAIR,

.....
WILL FREEMAN,
GEORGE H. FISHER,
Of Counsel.

(Dated: January 25, 1944.)

CERTIFICATE OF COUNSEL.

I hereby certify that the foregoing Petition for Rehearing is presented in good faith and not for the purpose of delay.

.....
Of Counsel for Respondent.

BRIEF IN SUPPORT OF PETITION FOR REHEARING.

The decision brings about two inequitable results.

I. It discriminates between owners of patents in that the owner who does nothing with the invention and thereby withholds its benefits from the public, is afforded relief, whereas relief is not afforded one who gives the invention to the world by selling the essential part of the patented combination.

This is true because under the doctrine of the decision, a patent owner who does nothing by way of making or selling or using, to give the invention to the world, may have relief for infringement.

But, the owner who gives the invention to the world, who exploits, advertises and promotes it, and who actively extends the availability of the invention to the public at large by selling or licensing others to sell the singular element which has its inevitable destiny in the patented combination, and where the only relief asked for is to prevent the sale by others of such an article that has no place in commerce except in a channel that leads inevitably to a violation of the patentee's rights, may have no relief for infringement.

It is an inequitable rule that leads to such a result.

II. It puts certain conduct of an accused infringer within the patent right, and puts the same conduct of a patent owner outside the patent right.

This is true because under the doctrine of the decision, the accused who wilfully and knowingly sells that which will inevitably bring about the complete infringement and nothing else, is a contributory infringer. His conduct therefore trespasses within the scope of the patent right and is wrongful only because that right is violated.

But the patent owner, who does exactly the same thing, is held to act beyond the scope of the patent right.

Where the owner, who has done nothing with his patent, enjoins the contributory infringer who has been giving the world the invention, then desires to permit the infringer to continue to give the world the invention, and licenses him to do that which he has been enjoined from doing, the owner steps outside the patent right and becomes a violator of the anti-trust laws. That was the position of Mid-Continent in the companion case. The ultimate effect is that the owner who is not in a position to make and sell the invention has no right as against the contributory infringer, unless he withholds the invention from the world.

Let us follow this point a little farther.

This Court, on page 4 of its opinion, rests its decision on the decision in the companion case, *Mercoid v. Mid-Continent Investment Company*, and on the same page of the opinion, this Court speaks of

*** this unpatented device ***

This *unpatented device* as made by Mercoid and as made by Honeywell is shown in Honeywell's Exhibits 20 and 17 on the last two pages of Honeywell's main brief.

In the *Mid-Continent* case this Court, on page 6 of its opinion, said of "this unpatented device":

*** though we assume for the purposes of this case that Mercoid was a contributory infringer and that respondents could have enjoined the infringement had they not misused the patent for the purpose of monopolizing unpatented material."

Thus that conduct which the Court says constitutes an infringement, which must bring it within the scope of the patent, is according to the same opinion, when done by the other litigant, a violation of the anti-trust laws.

The conclusion reached by this Court means that the sale of a device (by Honeywell in this case) is not within the protection of the patent, whereas the sale of a similar device (by Mercoid in this case) is a violation of the patent right.

It also means that the owner of a patent who keeps a patent in a vault and out of the reach of the public, can come into this Court, obtain its protection and enjoin Mercoid. When that same owner, who does nothing with his patent gets an injunction and thereafter licenses the litigant who has been enjoined, he becomes guilty of misuse of the patent and a violator of the anti-trust laws.

And if Mercoid having taken the license, had then refused to pay the royalties in accordance with the license agreement, it could have defended against a suit for the payment of the royalties on the ground that Honeywell had violated the anti-trust laws by giving the license to do that which the Court had enjoined.

It is an inequitable and illogical rule that brings about such a result.

We respectfully call this Court's attention to its decision in the case of

United States v. Univis Lens Company, 316 U. S. 241,

decided as recently as May 11, 1942.

One of the questions there decided was whether the conduct of the Univis Corporation was under the patent, and therefore excluded from the operation of the Sherman Act. This Court there stated specifically that question as follows (p. 243):

"The principal questions for decision are:

First: Whether the system established and maintained by the Univis Corporation, appellee and cross

appellant, for licensing the manufacture and sale of patented multifocal eyeglass lenses is excluded by the patent monopoly from the operation of the Sherman Act."

The original lens blank sold by the licensee company with price control did not answer to the full claim of the patent. It was not complete. It therefore did not infringe. The Court said (p. 248):

"And we assume for present purposes, without deciding, that the patent is not fully practiced until the finishing licensee has ground and polished the blank so that it will serve its purpose as a lens."

The Court further said (p. 249):

"We may assume also, as appellees contend, that the sale of the blanks by an unlicensed manufacturer to an unlicensed finisher for their completion, would constitute contributory infringement by the seller."

It was upon these facts assumed by the Court, that this Court found that the license from the Leits Corporation under which the Lens Company manufactured lens blanks (which were less than the complete patent claim) and sold such blanks at prices specified by the Lens Corporation, came within the patent monopoly and was therefore excluded from the operation of the Sherman Act. We are now speaking only about the license to the lens blank manufacturer issued by the Univis Corporation, which received the approval of this Court.

Should Univis today sue an unlicensed contributory infringer, this Court in following *Mercoid v. Minneapolis-Honeywell* would have to hold that Univis had misused its patent and was violating the anti-trust laws, because it was trying to protect itself and its licensee in the sale of lens blanks, which were not complete and which were less than the patented invention.

If Univis' conduct approved by this Court was excluded from the operation of the anti-trust laws because of the patent laws, then clearly Honeywell's conduct in licensing others to make less than the full patented structure, does not differ from that of Univis.

The difference, if any, is in the fact that Honeywell brought suit against an unlicensed contributory infringer after it had many licensees to sell less than the full claim of the invention, whereas Univis has not yet brought suit against an unlicensed manufacturer. Certainly the mere additional act of bringing suit to enjoin that which this Court said was a contributory infringement ought not change that which was not a violation of the anti-trust laws, into a violation of the anti-trust laws.

This inequitable rule results from the fact that in the decision, the Court did not give adequate consideration to the patent grant to which the "public faith" has been pledged for more than a hundred years.

We maintain that the patent system as embodied in the patent laws is just as much entitled to reasonable application of judicial rules as is the anti-trust system as embodied in the anti-trust laws.

When the facts bring a specific case within that border-land where men might differ as to whether the owner's conduct involves primarily a reasonable use of his patent grant on the one hand, or an unreasonable use, violating the anti-trust laws on the other hand, the Court should apply the rule which will fairly carry out two great systems of public policy as nearly as may be.

If the conduct primarily involves reasonable use of the grant, the "public faith" should protect the patent owner.

This the decision does not do.

We ask that the case be reheard, and the decision modified to eliminate the inequities in the rule, to which we have referred, and to clarify the law.

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY,

By BAIR & FREEMAN,
Its Attorneys.

W. P. BAIR,

WILL FREEMAN,
GEORGE H. FISHER,
Of Counsel.

IN THE
Supreme Court of The United States
OCTOBER TERM, A. D. 1943.

THE MERCOID CORPORATION,
Petitioner,

vs.

**MINNEAPOLIS-HONEYWELL REGULATOR
COMPANY,**

Respondent.

} Nos. 58, 59.

MOTION FOR ORDER TO STAY MANDATE.

COMES now, Minneapolis-Honeywell Regulator Company, the Respondent, and respectfully states to the Court that there is filed herewith a Petition for Rehearing. When the Mandate goes down, the parties must make substantial changes in business relations.

Respondent, therefore, moves for an Order Staying the Mandate until the Petition for Rehearing is ruled upon.

This Motion is made in good faith and not for purposes of delay.

Respectfully,

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY,
Respondent.

By **BAIR & FREEMAN,**
Its Attorneys.

W. P. BAIR,

**WILL FREEMAN,
GEORGE H. FISHER,
Of Counsel.**

January 25, 1944.

ACCEPTANCE OF SERVICE.

Service of the foregoing Petition, Brief and Motion, and receipt of copies thereof, acknowledged this day of January, 1944.

Attorney for Petitioner.

SUPREME COURT OF THE UNITED STATES.

Nos. 58 and 59 — OCTOBER TERM, 1943.

The Mercoid Corporation, Petitioner,
58 vs.

**Minneapolis-Honeywell Regulator
Company.**

Minneapolis-Honeywell Regulator Company

On Writs of Certiorari to
the United States Cir-
cuit Court of Appeals
for the Seventh Circuit.

[January 3, 1944.]

Mr. Justice DOUGLAS delivered the opinion of the Court.

These are companion cases to *Mercoid Corp. v. Mid-Continent Investment Co.*, Nos. 54 and 55, decided this day. One suit was instituted by petitioner, the other by respondent. Petitioner sought a declaratory judgment to the effect that the Freeman patent No. 1,813,732 was invalid and that petitioner did not infringe it, that respondent had used the Freeman patent in violation of the anti-trust laws, that respondent be restrained from threatening petitioner and its customers with infringement suits, that an accounting be had and treble damages awarded. Respondent in its bill sought a decree sustaining the validity of the Freeman patent and declaring that petitioner had infringed and contributed to the infringement of its claims. In the latter action petitioner filed a counterclaim praying for substantially the same relief as in its earlier bill. After issues were joined the causes were consolidated and tried together. The District Court said that the Freeman patent was valid and that Mercoid was guilty of contributory infringement. But it held that Minneapolis-Honeywell was using the patent as a means of controlling an unpatented device contrary to the rule of *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488. Accordingly, it dismissed both complaints. 43 F. Supp. 878. On appeal the Circuit Court of Appeals held that the patent claims in issue were valid and that Mercoid had infringed them. But it

2 *The Mercoid Corp. vs. Minneapolis-Honeywell Regulator Co.*

disagreed with the District Court that respondent had sought to extend the scope of the patent in violation of the anti-trust laws. Accordingly, it reversed the judgment of the District Court, dismissing respondent's bill and affirmed it as respects the relief claimed by petitioner. 133 F. 2d 811.

The Freeman patent, as found below, covers a system of hot air furnace control which requires three thermostats for its operation. A room thermostat starts the stoker. Another thermostat (or limit switch) breaks the stoker circuit when the air in the furnace reaches a predetermined temperature, irrespective of the fact that the room thermostat may still call for heat. This second thermostat operates to prevent unsafe conditions due to overheating. The third thermostat is also in the furnace. It controls a fan which forces hot air from the furnace to the rooms. It does not permit the fan to start until the air in the furnace reaches a specified degree of heat. But at that point it starts the fan which continues to run, even though the limit switch has stopped the stoker, so long as the furnace is hot and the room thermostat calls for heat. The District Court found that the Freeman patent was a combination patent on a system of furnace control which requires those three thermostats for its operation and that it was not a patent on "either the fan switch or the limit switch or both of them." That finding was not disturbed by the Circuit Court of Appeals, which held that Freeman's "advance in the art" was the arrangement of thermostatic switches, subject to furnace heat to secure in connection with other parts the "sequence of operations" which we have described.

Minneapolis-Honeywell has licensed five of its manufacturing competitors under the Freeman patent. The licensees are granted a non-exclusive right under the patent to make, use and sell a "combination furnace control" which is defined as a thermostatic switch usable for a Freeman installation and designed in one unit to control the fan and limit circuits. Royalty payments to Minneapolis-Honeywell are based on the sales of the combination furnace controls, although the Circuit Court of Appeals found that the only Minneapolis-Honeywell control "which gets protection as a result of the licenses is the control usable only for a Freeman type of installation." Each licensee is required to insert in its catalogues or other sales literature and to attach to each combination furnace control sold a notice to the effect that the

control includes a license for one installation of the Freeman heating system. The licenses establish minimum prices for the sale of the controls; and those prices must not be cut by the licensees through the inclusion of "extras" or through the reduction of charges for services. Price lists are attached governing sales to manufacturers, jobbers, wholesalers, and dealers. Equal terms to all licensees are provided. Minneapolis-Honeywell tried on several occasions to induce Mercoid to take a license. Being unsuccessful it brought its present suit.¹

Neither the petitioner nor the respondent sells or installs the Freeman system in furnaces; that is to say, they do not practice the invention. They are competitors in supplying the switch to control the fan and limit circuits employed in such systems. That switch or combustion furnace control is unpatented¹ and respondent concedes that it is "less than the complete claimed invention." But, as we have said, the Circuit Court of Appeals took the view that that control provides "the sequence of operations which is the precise essence of Freeman's advance in the art." And the accused device has, according to the Circuit Court of Appeals, "no other use than for accomplishing the sequence of operations of the Freeman patent." The Circuit Court of Appeals concluded that although the combustion furnace control was unpatented, it served "to distinguish the invention" and to mark the "advancement in the art" achieved by the Freeman patent. It accordingly held that the patent laws permit and the anti-trust laws do not forbid the control over the sale and use of the unpatented device which Minneapolis-Honeywell sought to achieve through its licensing agreements. We do not agree, even though we assume the patent to be valid.

The fact that an unpatented part of a combination patent may distinguish the invention does not draw to it the privileges of a patent. That may be done only in the manner provided by law. However worthy it may be, however essential to the patent, an unpatented part of a combination patent is no more entitled to monopolistic protection than any other unpatented device. For as we pointed out in *Mercoid v. Mid-Continent Investment Co.*, *supra*, a patent on a combination is a patent on the assembled

¹ There is some suggestion that this device is patented. But according to the District Court any such patent "is owned by some person other than Minneapolis-Honeywell and Mercoid, so that as to them and so far as this case is concerned, it is an unpatented device."

4 *The Mercoid Corp. vs. Minneapolis-Honeywell Regulator Co.*

or, functioning whole, not on the separate parts. The legality of any attempt to bring unpatented goods within the protection of the patent is measured by the anti-trust laws not by the patent law. For the reasons stated in *Mercoid v. Mid-Continent Investment Co.*, *supra*, the effort here made to control competition in this unpatented device plainly violates the anti-trust laws, even apart from the price-fixing provisions of the license agreements. It follows that petitioner is entitled to be relieved against the consequences of those acts. It likewise follows that respondent may not obtain from a court of equity any decree which directly or indirectly helps it to subvert the public policy which underlies the grant of its patent. *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488, 494; *B. B. Chemical Co. v. Ellis*, 314 U. S. 495.

The judgment is reversed and the causes are remanded to the District Court for proceedings in conformity with this opinion.

Reversed.

Mr. Justice ROBERTS, Mr. Justice REED, Mr. Justice FRANKFURTER, and Mr. Justice JACKSON concur in the result on the authority of *Morton Salt Co. v. G. S. Suppiger Co.*, 314 U. S. 488.

A true copy.

Test:

Clerk, Supreme Court, U. S.